



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Department of Career and Technical Education

Audit Report for the Biennium Ended June 30, 2021

Client Code 270





WHAT WE LOOKED AT AND WHY

North Dakota state law requires that our team perform an audit once every two years. This includes a review of financial transactions and determining that expenditures are correct. Our audit reports any errors, internal control weaknesses or potential violations of law identified in significant or high-risk functions of the agency.

WHAT WE FOUND



Noncompliance with Appropriation Laws

We found that CTE overspent its Center for Distance Education budget by \$121,255.

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HAVE QUESTIONS? ASK US.

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Introduction

Department of Career and Technical Education

May 16, 2022

We are pleased to submit this audit of the Department of Career and Technical Education for the biennium ended June 30, 2021. This audit resulted from the statutory responsibility of the State Auditor to audit or review each state agency once every two years. The same statute gives the State Auditor the responsibility to determine the contents of these audits.

The primary consideration in determining the contents of these audits is to produce informative audits to improve government. Statutory audit requirements are an important part of these audits and are addressed by our standard audit objective. Whenever possible, additional audit objectives are included to increase responsiveness and effectiveness of state government.

Allison Bader was the audit manager. Inquiries or comments relating to this audit may be directed to the audit manager by calling (701) 328-2241. We wish to express our appreciation to the Department of Career and Technical Education staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

/S/

JOSHUA C. GALLION
NORTH DAKOTA STATE AUDITOR

TERMS USED IN REPORT

Appropriation: An amount authorized by the North Dakota Legislative Assembly to be spent for a specific purpose.

ConnectND: The accounting system for North Dakota.

Emergency Commission: Group of elected officials that have the authority to transfer or expend money appropriated by the North Dakota Legislative Assembly. Additional information can be found in N.D.C.C. Chapter 54-16

Internal Control: Policies and procedures that ensure reliable financial reporting, safeguard assets, promote accountability and efficiency, and prevent fraud.

Noncompliance: Failure to act in accordance with a wish or command.

North Dakota Century Code (N.D.C.C.): Collection of all the statutes passed by the North Dakota Legislative Assembly.

Performance Audit: Engagements that provide objective analysis, findings, and conclusions to assist management and those charged with governance and oversight to improve program performance and operations, reduce costs, facilitate decision making, and contribute to public accountability.

Session Laws: Published after each regular and special legislative session and contain the laws enacted during that session.

Audit Results

PRIMARY OBJECTIVE

Are there any errors, internal control weaknesses, or potential violations of law for significant and high-risk functions of the agency?



We found that CTE **overspent** its Center for Distance Education budget by **\$121,255.**

FINDING
2021-01

Noncompliance with Appropriation Laws

CONCLUSION

The Department of Career and Technical Education (CTE) provides resources for education through a distance education program. These programs are for North Dakota students and are typically used by teachers, counselors, and administrators to instruct their students. During our audit, we found that CTE overspent its Center for Distance Education budget by \$121,255. Of this amount, \$120,000 was for online learning curriculum.

BACKGROUND

When spending funds, state agencies are required to stay within the amounts allocated in state law to their budget (N.D.C.C. 54-16-03).

The CTE purchased \$120,000 of online learning curriculum from a vendor before the biennium cut-off date of June 30, 2021. CTE had been paying annually for this online learning curriculum.

In order to receive a new discount from the vendor, CTE made a prepayment of the curriculum for the upcoming two years, in addition to their usual annual payment. However, this prepayment was not budgeted for in the biennium beginning July 1, 2019, and ending June 30, 2021.

The CTE did not adequately monitor their budget (GAO-14-704G para 16.01). To follow state law, CTE could have requested the necessary spending authority from the Emergency Commission before the end of the biennium.

RECOMMENDATION

We recommend the Department of Career and Technical Education ensure compliance with appropriation limits set by state law.

DEPARTMENT OF CAREER AND TECHNICAL EDUCATION RESPONSE

The Department of Career & Technical Education (CTE) agrees with this finding.

Corrective Action: CTE's fiscal office in Bismarck will implement oversight of Center for Distance Education's (CDE) budget and appropriation spending to ensure compliance with appropriation limits set by state law.

The Director of CDE will discuss major decisions with the CTE State Director before implementing to make better informed decisions and how those decisions impact CDE's appropriation.



Audit Procedures

Primary Objective

INTERNAL CONTROL

We obtained an understanding of internal control through inquiries, observations, and inspection of documentations and electronic data records. We planned our audit work to assess the design, implementation, and operating effectiveness of those internal controls that were significant to our audit objectives.

The specific internal control testing completed for this audit objective is identified below:

- Segregated preparation and approval of expenditures is tested statewide in the State of North Dakota Annual Comprehensive Financial Report.
- Selected a random sample of expenditures and inspected proper level of procurement training was completed by the purchasing employee.
- Selected a random sample of grant expenditures and verified the final state plan expenditures were approved by supervisors.
- Inspected the Department of Career and Technical Education's annual reconciliation between their grant tracking system, Budget and Reimbursement Process, and ConnectND.

There were no deficiencies identified.

SCOPE

The Department of Career and Technical Education has operations in the following locations. Each location was included in the audit scope:

- The Bismarck office in the State Capitol.
- Center for Distance Education in Fargo.

METHODOLOGY

To meet this objective, we:

- Used non-statistical sampling and the results were projected to the population where appropriate.
- Interviewed appropriate agency personnel.
- Observed the Department of Career and Technical Education processes and procedures.
- Inspected documentary evidence.
- Queried the ConnectND (PeopleSoft) system for data analysis. Significant evidence was obtained from ConnectND.
- Analyzed and tested expenditures to determine the Department of Career and Technical Education did not expend more than appropriated (N.D.C.C. 54-16-03).
 - o 2019 Session Laws House Bill 1019 Section 1.
- Analyzed accounts charged to each appropriation class to determine that expenditures were not charged to an inappropriate class to circumvent appropriation spending authority (N.D.C.C. 54-16-03).
- Analyzed Center for Distance Education expenditures to verify only \$6,301,188 of the \$9,531,188 appropriated was spent with general funds and \$3,050,000 was spent with other funds (2019 Session Laws House Bill 1019 Section 3).
- Analyzed Center for Distance Education expenditures to verify \$102,759 of general funds was spent on new enrollment.
- Selected a random sample of Center for Distance Education Fund expenditures and correcting entries and determined that charges were in accordance with fund restrictions (N.D.C.C. 15-19-06).
- Tested compliance with the documented intent of appropriation adjustments, including specific Session Laws with related emergency measure sections authorized by the Emergency Commission (N.D.C.C. 54-16-03).

- Analyzed and selected a judgmental sample of expenditures to ensure goods and services were properly procured (N.D.C.C. 54-44.4, N.D.C.C. 48-01.2, N.D.A.C. Article 4-12, and OMB State Procurement Manual guidelines).
- Analyzed and selected a random sample of grant expenditures and operating expenditures to test accurate recording of payments in the state's accounting system related to appropriation class, funds, and account, and reasonableness of payment (N.D.C.C. 54-44.1-09, N.D.C.C. 44-08-05).
- Reviewed fund activity and determined funds used by the Department of Career and Technical Education were authorized and had legislative approval for non-appropriated expenditures (N.D.C.C. 54-44.1-09).

AUTHORITY AND STANDARDS

This biennial audit of the Department of Career and Technical Education has been conducted by the Office of the State Auditor pursuant to authority within North Dakota Century Code Chapter 54-10.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The standards used to evaluate internal control are published in the publication Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States (Green Book, GAO-14-704G).



Responses to LAFRC Audit Questions

1. WHAT TYPE OF OPINION WAS ISSUED ON THE FINANCIAL STATEMENTS?

Revenues, expenditures and appropriation information were not prepared by the Department of Career and Technical Education in accordance with generally accepted accounting principles, so an opinion is not applicable. The agency's transactions were tested and included in the state's basic financial statements on which an unmodified opinion was issued.

2. WAS THERE COMPLIANCE WITH STATUTES, LAWS, RULES, AND REGULATIONS UNDER WHICH THE AGENCY WAS CREATED AND IS FUNCTIONING?

Other than the findings of this report, the Department of Career and Technical Education was in compliance with significant statutes, laws, rules, and regulations under which it was created and is functioning.

3. WAS INTERNAL CONTROL ADEQUATE AND FUNCTIONING EFFECTIVELY?

Other than the findings of this report, we did not identify any deficiencies in internal control that were significant within the context of our audit objectives.

4. WERE THERE ANY INDICATIONS OF LACK OF EFFICIENCY IN FINANCIAL OPERATIONS AND MANAGEMENT OF THE AGENCY?

No.

5. HAS ACTION BEEN TAKEN ON FINDINGS AND RECOMMENDATIONS INCLUDED IN PRIOR AUDIT REPORTS?

There were no recommendations included in the prior audit report.

6. WAS A MANAGEMENT LETTER ISSUED? IF SO, PROVIDE A SUMMARY BELOW, INCLUDING ANY RECOMMENDATIONS AND THE MANAGEMENT RESPONSES.

No, a management letter was not issued.



LAFRC Audit Communications

7. IDENTIFY ANY SIGNIFICANT CHANGES IN ACCOUNTING POLICIES, ANY MANAGEMENT CONFLICTS OF INTEREST, ANY CONTINGENT LIABILITIES, OR ANY SIGNIFICANT UNUSUAL TRANSACTIONS.

There were no significant changes in accounting policies, management conflicts of interest, contingent liabilities, or significant unusual transactions identified.

8. IDENTIFY ANY SIGNIFICANT ACCOUNTING ESTIMATES, THE PROCESS USED BY MANAGEMENT TO FORMULATE THE ACCOUNTING ESTIMATES, AND THE BASIS FOR THE AUDITOR'S CONCLUSIONS REGARDING THE REASONABLENESS OF THOSE ESTIMATES.

The Department of Career and Technical Education's revenues, expenditures and appropriation information does not include any significant accounting estimates.

9. IDENTIFY ANY SIGNIFICANT AUDIT ADJUSTMENTS.

Significant audit adjustments were not necessary.

10. IDENTIFY ANY DISAGREEMENTS WITH MANAGEMENT, WHETHER OR NOT RESOLVED TO THE AUDITOR'S SATISFACTION RELATING TO A FINANCIAL ACCOUNTING, REPORTING, OR AUDITING MATTER THAT COULD BE SIGNIFICANT TO THE FINANCIAL STATEMENTS.

None.

11. IDENTIFY ANY SERIOUS DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT.

None.

12. IDENTIFY ANY MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO RETENTION.

This is not applicable for audits conducted by the Office of the State Auditor.

13. IDENTIFY ANY MANAGEMENT CONSULTATIONS WITH OTHER ACCOUNTANTS ABOUT AUDITING AND ACCOUNTING MATTERS.

None.

14. IDENTIFY ANY HIGH-RISK INFORMATION TECHNOLOGY SYSTEMS CRITICAL TO OPERATIONS BASED ON THE AUDITOR'S OVERALL ASSESSMENT OF THE IMPORTANCE OF THE SYSTEM TO THE AGENCY AND ITS MISSION, OR WHETHER ANY EXCEPTIONS IDENTIFIED IN THE SIX AUDIT REPORT QUESTIONS TO BE ADDRESSED BY THE AUDITORS ARE DIRECTLY RELATED TO THE OPERATIONS OF AN INFORMATION TECHNOLOGY SYSTEM.

ConnectND Finance and Human Capital Management (HCM) are high-risk information technology systems critical to the Department of Career and Technical Education. None of the exceptions identified in the six audit report questions are directly related to these systems.

Financials

Revenues and Expenditures

REVENUES AND OTHER SOURCES	JUNE 30, 2021	JUNE 30, 2020
Revenue from Federal Government	\$ 5,353,353	\$ 4,996,018
Center for Distance Education	1,751,189	1,037,622
License Renewal Fees	4,000	1,000
Conference Registration Fees	-	52,120
Special Assessments	-	17,713
Sale of Publications	-	15,661
Transfers-In	470,980	896,266
Total Revenue and Other Sources	\$ 7,579,522	\$ 7,016,400

Source: ConnectND Financials

Continued on following page.

Financials

Revenues and Expenditures

EXPENDITURES AND OTHER USES	JUNE 30, 2021	JUNE 30, 2020
Grants	\$ 19,130,240	\$ 18,440,721
Salaries and Benefits	5,828,577	5,042,333
Resale Supplies	1,297,140	311,329
Information Technology	428,859	324,512
Periodicals and Subscriptions	354,146	343,017
Professional Fees and Services	296,172	197,152
Rent of Building Space	240,135	184,070
Special Projects	104,686	-
Professional Development	70,408	120,472
Postage and Printing	46,569	43,975
Operating Fees and Services	40,095	61,826
Travel	37,205	101,060
Equipment	31,454	6,371
Supplies	25,923	20,454
Utilities	24,786	26,669
Repairs	24,009	15,476
Insurance	5,656	2,268
Transfers-Out	-	31,792
Total Expenditures and Other Uses	\$ 27,986,060	\$ 25,273,497

Source: ConnectND Financials

Appropriations

For the Biennium Ended June 30, 2021

EXPENDITURES BY LINE ITEM	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATIONS
Salaries and Wages	\$ 4,662,765	\$ 4,314,440	\$ 348,325
Operating Expenses	2,232,796	1,493,747	739,049
Grants	9,530,044	8,998,758	531,286
Grants - Secondary	25,077,780	24,601,538	476,242
Grants - Postsecondary	256,982	232,771	24,211
Adult Farm Management	1,679,249	1,470,052	209,197
Workforce Training	2,000,000	2,000,000	-
Marketplace for Kids	300,000	278,845	21,155
Center for Distance Education	9,622,168	9,743,423	(121,255)
Totals	\$ 55,361,784	\$ 53,133,574	\$ 2,228,210

EXPENDITURES BY SOURCE	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATIONS
General	\$ 40,064,988	\$ 39,139,971	\$ 925,017
Other	15,296,796	13,993,603	1,303,193
Totals	\$ 55,361,784	\$ 53,133,574	\$ 2,228,210

Source: ConnectND Financials



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